A PENNY SAVED...

WHY AND HOW WE SAVE, AND HOW SAVING HELPS THE U.S. ECONOMY

FEDERAL RESERVE BANK OF NEW YORK

A PENNY SAVED...

WHAT IF PEOPLE DIDN'T SAVE?

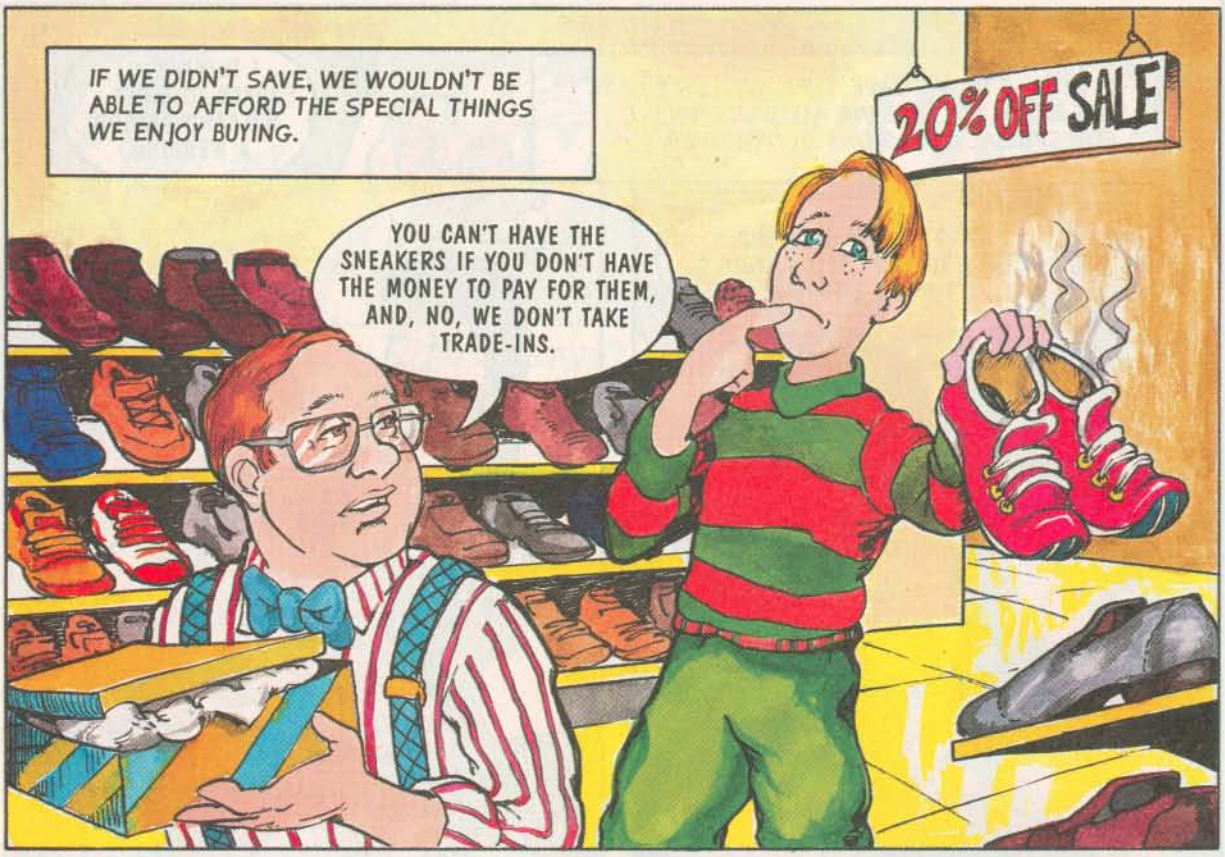
SNIFF

ACCOUNT CLOSED

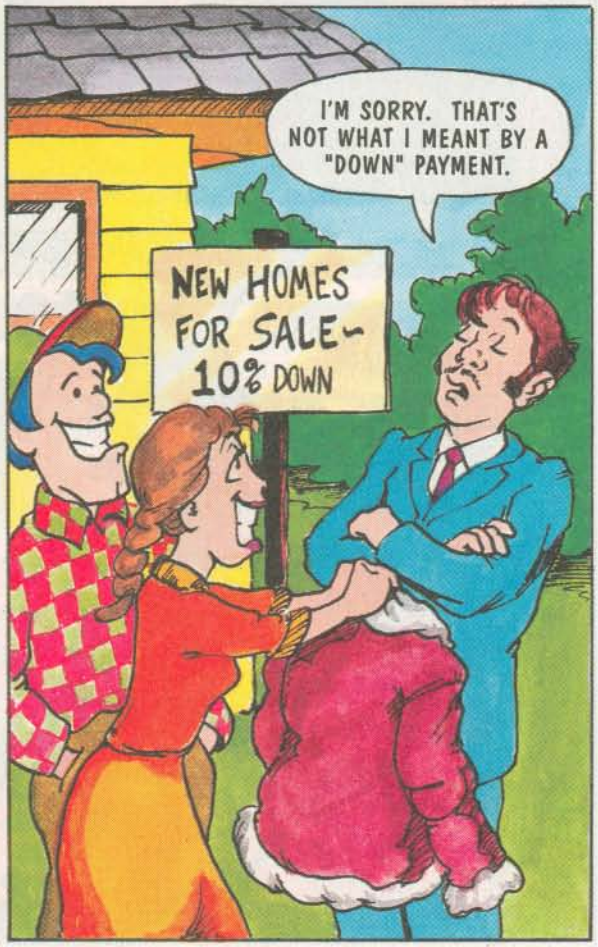
STORY BY ED STEINBERG
ART BY SHEPSIL SCHEINBERG

SORRY TO SPRING THIS ON YOU, BUT THERE'S NOTHING HERE!

IF PEOPLE DIDN'T SAVE, THEY WOULDN'T HAVE THE EXTRA DOLLARS WE ALL LIKE TO HAVE FOR SPECIAL OCCASIONS IN OUR LIVES.
IT'S NOT A REAL DIAMOND, BUT IF YOU DON'T TELL ANYBODY, I WON'T EITHER.
I THINK WE'LL HAVE TO ELOPE. WE CAN'T AFFORD A WEDDING.
WE'D LIKE TO SEND YOU TO COLLEGE...
BIG-PLANS
...BUT WE CAN'T, BECAUSE WE HAVEN'T SAVED ENOUGH.
TO STATE U.

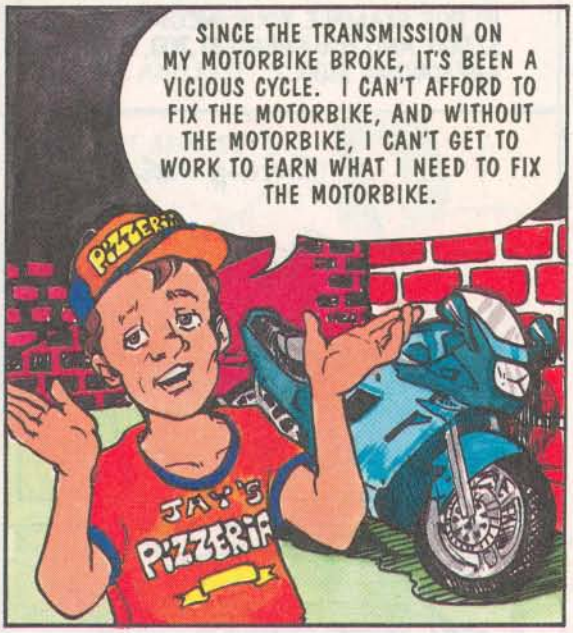

IF WE DIDN'T SAVE, WE WOULDN'T BE ABLE TO AFFORD THE SPECIAL THINGS WE ENJOY BUYING.
YOU CAN'T HAVE THE SNEAKERS IF YOU DON'T HAVE THE MONEY TO PAY FOR THEM, AND, NO, WE DON'T TAKE TRADE-INS.
20% OFF SALE

REDUCED FARES TO
HAWAII
I CAN'T AFFORD THE TRIP. HOW MUCH IS A PICTURE POSTCARD INSTEAD?
TRAVEL LITE INC.


I'M SORRY. THAT'S NOT WHAT I MEANT BY A "DOWN" PAYMENT.
NEW HOMES FOR SALE- 10% DOWN

IF WE DON'T SAVE, WE ALSO MIGHT RUN INTO TROUBLE WHEN EMERGENCIES ARISE.
SINCE I LOST MY JOB, I'VE HAD TO STOP EATING MEAT. I HOPE THESE CHIPS GIVE ME THE PROTEIN I NEED.
UNEMPLOYMENT
F.E.D. CHIPS

SINCE I BROKE MY LEG SKIING, IT'S BEEN ALL DOWNHILL. I HAVEN'T BEEN ABLE TO GO TO WORK, AND I'VE RUNG UP A LOT OF DEBT.


SINCE THE TRANSMISSION ON MY MOTORBIKE BROKE, IT'S BEEN A VICIOUS CYCLE. I CAN'T AFFORD TO FIX THE MOTORBIKE, AND WITHOUT THE MOTORBIKE, I CAN'T GET TO WORK TO EARN WHAT I NEED TO FIX THE MOTORBIKE.
PIZZERIA
JAY'S PIZZERIA

SO, WE SAVE FOR SPECIAL OCCASIONS, WE SAVE TO BUY SPECIAL THINGS, AND WE SAVE TO PROTECT AGAINST EMERGENCIES. BUT WHAT IS SAVING, ANYWAY?
I KNOW, BUT I'M NOT GOING TO SAY. I'M SAVING MY VOICE.
DICTIONARY
HA!

SAVING MEANS REFRAINING FROM SPENDING ALL OF OUR INCOME ON THE THINGS WE BUY NOW, SUCH AS FOOD, CLOTHING, HOUSING, TRANSPORTATION, AND ENTERTAINMENT.

IF WE DON'T BUY IT, WE'LL SAVE EVEN MORE.

SAVE $50

NO, THANKS. I'M SAVING FOR A RAINY DA--OH, FORGET IT.

$5.00 each

IF, FOR EXAMPLE, YOUR INCOME IS $2,000, AND YOU SPEND $1,700, YOU ARE SAVING $300.

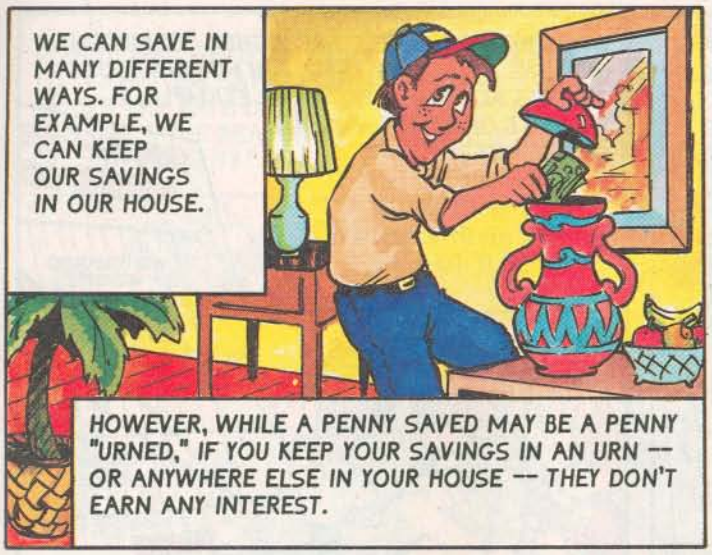
INCOME $2000
- SPENDING $1700
SAVING = $300

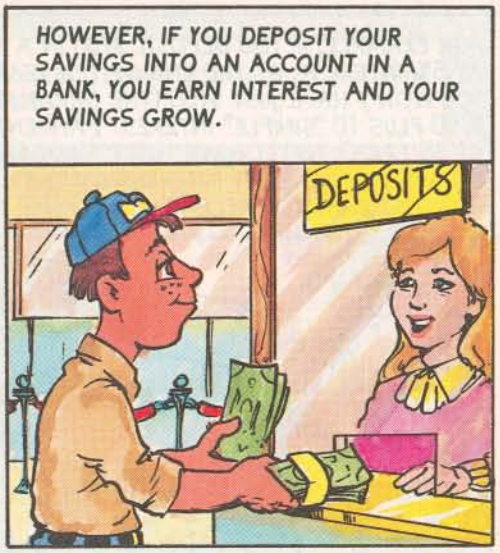
WHEN WE SAVE, WE GIVE UP THE OPPORTUNITY TO SPEND NOW, IN ORDER TO HAVE THE SPENDING POWER AVAILABLE SOMETIME IN THE FUTURE.

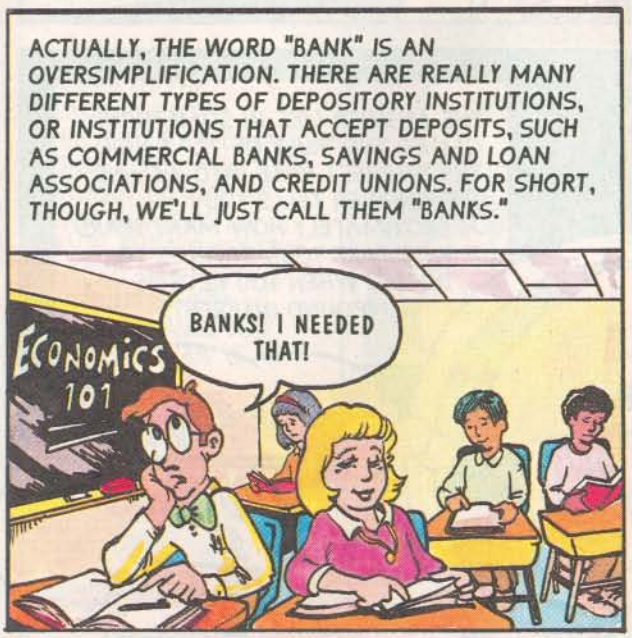
OXFORD

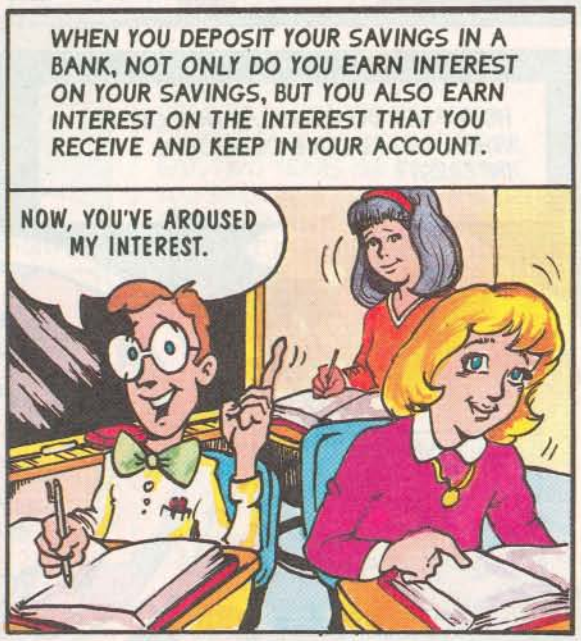
PASSBOOK SAVINGS

TOWN REALTY INC.
SOLD


WE CAN SAVE IN MANY DIFFERENT WAYS. FOR EXAMPLE, WE CAN KEEP OUR SAVINGS IN OUR HOUSE.
HOWEVER, WHILE A PENNY SAVED MAY BE A PENNY "URNED," IF YOU KEEP YOUR SAVINGS IN AN URN -- OR ANYWHERE ELSE IN YOUR HOUSE -- THEY DON'T EARN ANY INTEREST.

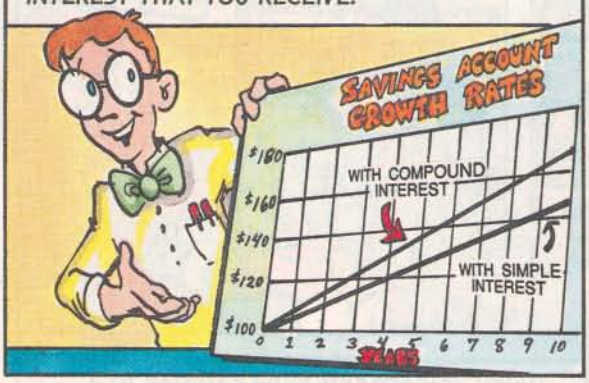

HOWEVER, IF YOU DEPOSIT YOUR SAVINGS INTO AN ACCOUNT IN A BANK, YOU EARN INTEREST AND YOUR SAVINGS GROW.
DEPOSITS


ACTUALLY, THE WORD "BANK" IS AN OVERSIMPLIFICATION. THERE ARE REALLY MANY DIFFERENT TYPES OF DEPOSITORY INSTITUTIONS, OR INSTITUTIONS THAT ACCEPT DEPOSITS, SUCH AS COMMERCIAL BANKS, SAVINGS AND LOAN ASSOCIATIONS, AND CREDIT UNIONS. FOR SHORT, THOUGH, WE'LL JUST CALL THEM "BANKS."
ECONOMICS 101
BANKS! I NEEDED THAT!

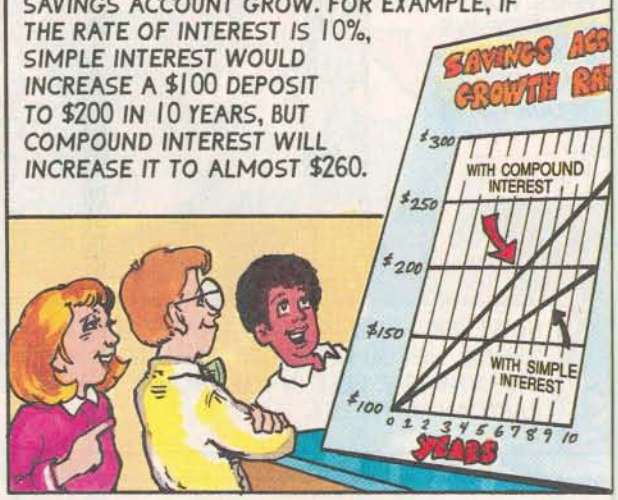

WHEN YOU DEPOSIT YOUR SAVINGS IN A BANK, NOT ONLY DO YOU EARN INTEREST ON YOUR SAVINGS, BUT YOU ALSO EARN INTEREST ON THE INTEREST THAT YOU RECEIVE AND KEEP IN YOUR ACCOUNT.
NOW, YOU'VE AROUSED MY INTEREST.

INTEREST THAT'S PAID, NOT JUST ON WHAT YOU DEPOSIT IN THE BANK, BUT ALSO ON INTEREST THAT HAS BEEN ADDED TO YOUR ACCOUNT, IS CALLED "COMPOUND INTEREST." THAT CAN BE A VERY USEFUL TERM TO KNOW.
ECONOMICS 101
FINAL EXAM
(MULTIPLE CHOICE)
INTEREST PAID BOTH ON SAVINGS AND ON THE INTEREST ALREADY EARNED IS CALLED
A) A CONFLICT OF INTEREST
B) AN INTERESTED PARTY
C) COMPOUND FRACTURE
D) COMPOUND INTEREST

FOR EXAMPLE, IF YOU DEPOSIT $100 IN A BANK AT 5% INTEREST, AT THE END OF TEN YEARS YOU WON'T HAVE JUST $150 (THE ORIGINAL $100 PLUS 10 "SIMPLE" INTEREST PAYMENTS OF $5 EACH); YOU'LL HAVE MORE THAN $160, BECAUSE YOU'LL EARN INTEREST ON THE INTEREST THAT YOU RECEIVE.

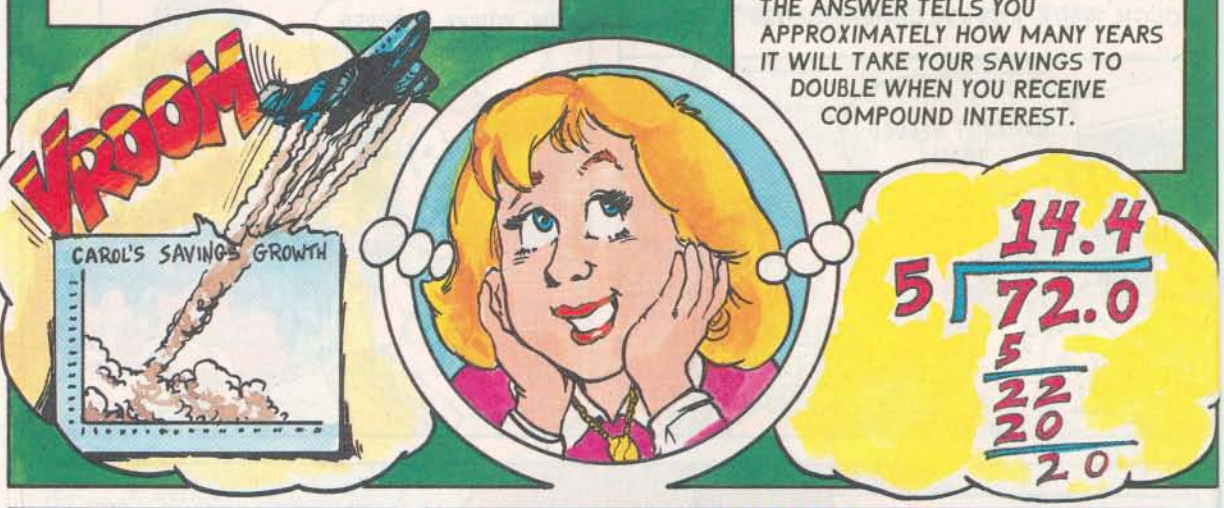


WHEN INTEREST RATES ARE HIGHER, "COMPOUNDING" HAS A GREATER EFFECT IN MAKING YOUR SAVINGS ACCOUNT GROW. FOR EXAMPLE, IF THE RATE OF INTEREST IS 10%, SIMPLE INTEREST WOULD INCREASE A $100 DEPOSIT TO $200 IN 10 YEARS, BUT COMPOUND INTEREST WILL INCREASE IT TO ALMOST $260.



HOW FAST DO YOUR SAVINGS GROW WHEN YOU RECEIVE COMPOUND INTEREST?

THE ANSWER LIES IN SOMETHING CALLED THE "RULE OF 72." DIVIDE THE INTEREST RATE INTO 72, AND THE ANSWER TELLS YOU APPROXIMATELY HOW MANY YEARS IT WILL TAKE YOUR SAVINGS TO DOUBLE WHEN YOU RECEIVE COMPOUND INTEREST.



THAT'S RIGHT. WITH A 5% RATE OF INTEREST, YOUR SAVINGS WILL DOUBLE IN ABOUT 14 YEARS. BUT WITH AN INTEREST RATE OF 10%, THEY'LL DOUBLE IN ABOUT SEVEN YEARS.

7.2
10) 72.0
70
20

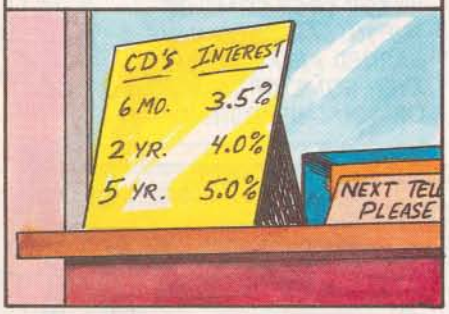
BANKS OFFER A RANGE OF INTEREST RATES ON DIFFERENT TYPES OF ACCOUNTS.

IN GENERAL, THE LONGER YOU ARE WILLING TO LEAVE YOUR SAVINGS IN A BANK, THE HIGHER THE RATE OF INTEREST YOU CAN EARN. THE REASON INVOLVES SOMETHING CALLED "LIQUIDITY."

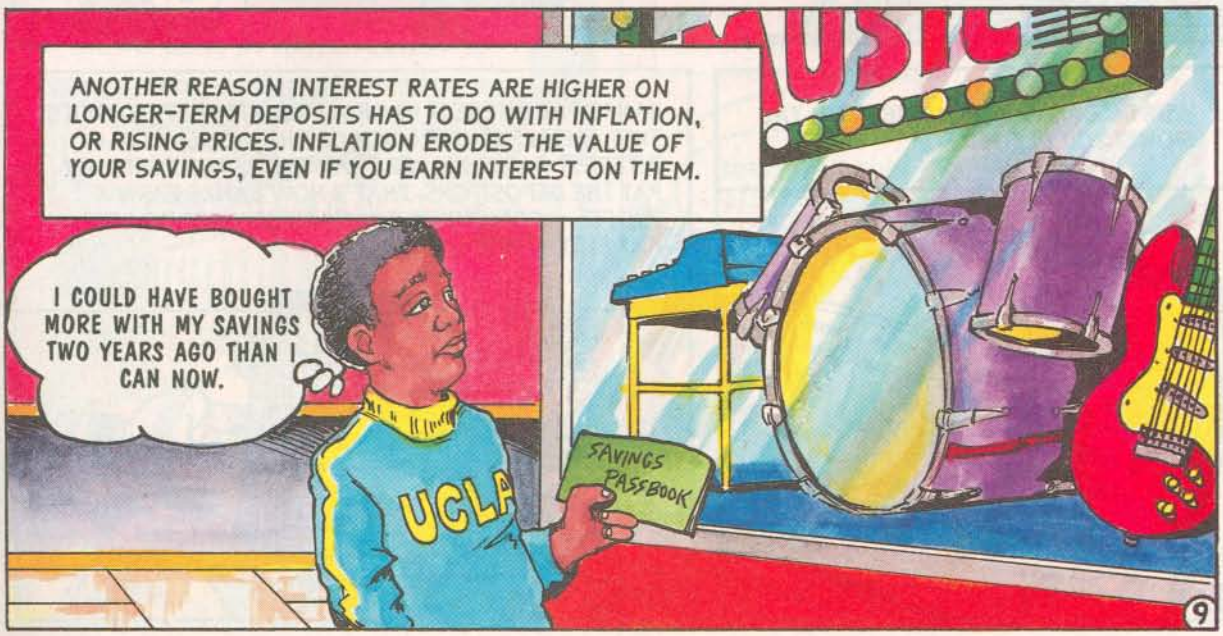
NO, LIQUIDITY HAS NOTHING TO DO WITH LIQUIDS.

THE WORD "LIQUIDITY" REFERS TO THE READINESS WITH WHICH AN ITEM CAN BE CONVERTED INTO CASH WITHOUT LOSING AT LEAST SOME OF ITS VALUE. THE MONEY YOU DEPOSIT IN A SAVINGS ACCOUNT IS VERY LIQUID, BECAUSE YOU CAN WITHDRAW IT AT ANY TIME.

HOWEVER, IF YOU AGREE TO LEAVE YOUR SAVINGS ON DEPOSIT IN WHAT'S CALLED A "CERTIFICATE OF DEPOSIT" FOR, SAY, TWO YEARS OR FIVE YEARS, YOU SACRIFICE LIQUIDITY AND YOU RECEIVE A HIGHER RATE OF INTEREST IN RETURN FOR THAT SACRIFICE.



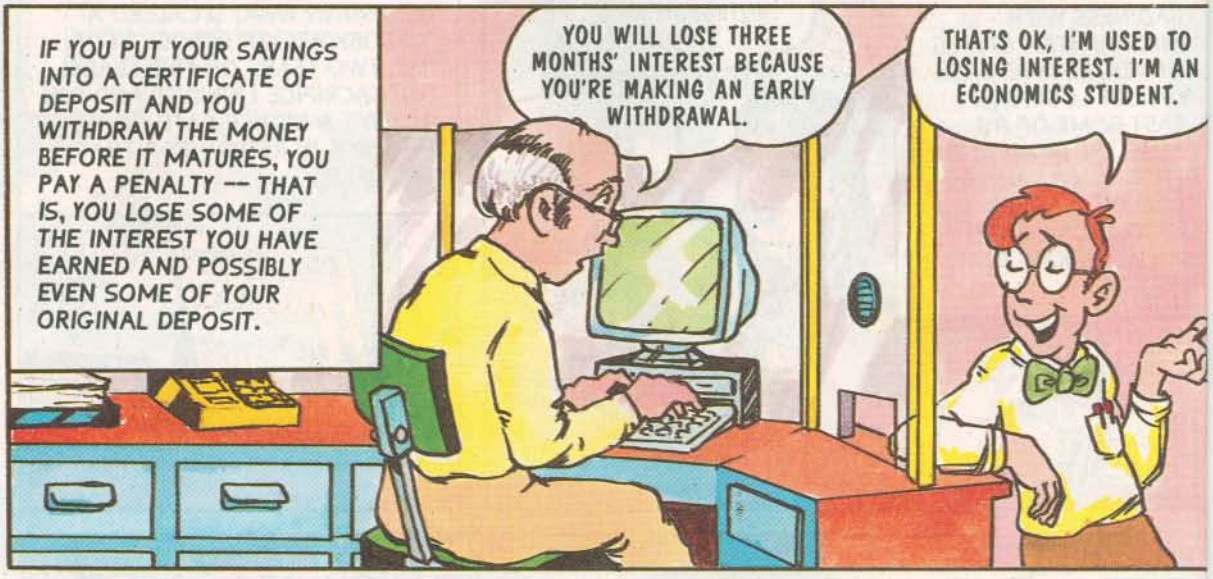
ANOTHER REASON INTEREST RATES ARE HIGHER ON LONGER-TERM DEPOSITS HAS TO DO WITH INFLATION, OR RISING PRICES. INFLATION ERODES THE VALUE OF YOUR SAVINGS, EVEN IF YOU EARN INTEREST ON THEM.



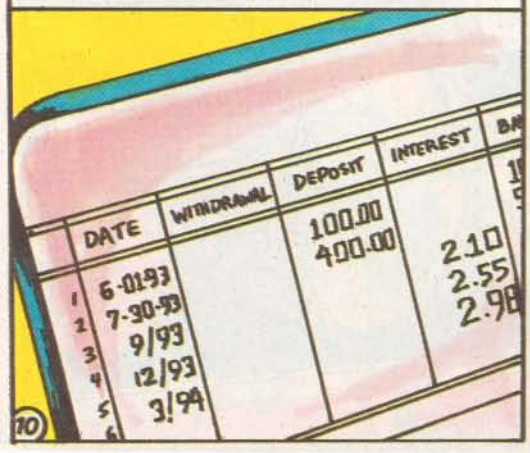
TO PROTECT THE VALUE OF YOUR SAVINGS, YOU WANT TO GET AN INTEREST RATE THAT EXCEEDS THE RATE OF INFLATION. BUT THE LONGER YOU AGREE TO LEAVE YOUR SAVINGS IN A BANK, THE GREATER THE THREAT THAT PRICES MIGHT START RISING MORE RAPIDLY.

SO, THE LONGER YOU COMMIT YOUR SAVINGS TO A BANK, THE HIGHER THE RATE OF INTEREST YOU'LL WANT TO RECEIVE.

IF YOU PUT YOUR SAVINGS INTO A CERTIFICATE OF DEPOSIT AND YOU WITHDRAW THE MONEY BEFORE IT MATURES, YOU PAY A PENALTY — THAT IS, YOU LOSE SOME OF THE INTEREST YOU HAVE EARNED AND POSSIBLY EVEN SOME OF YOUR ORIGINAL DEPOSIT.



WHY DO BANKS PAY INTEREST ON THE MONEY YOU DEPOSIT?



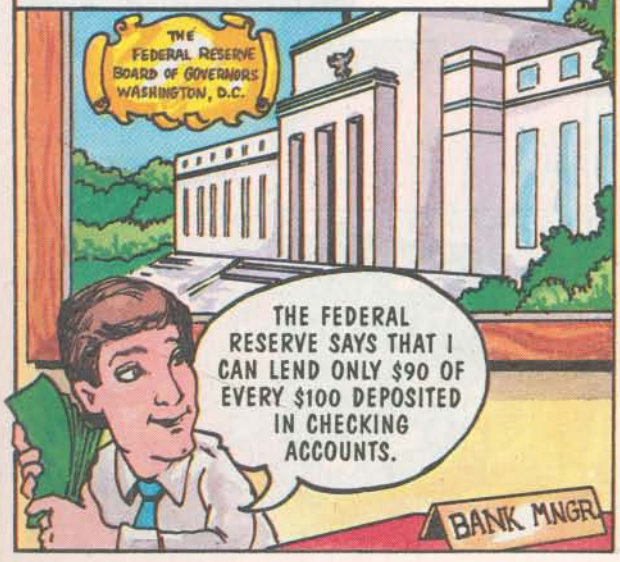
BANKS PAY INTEREST IN ORDER TO ATTRACT DEPOSITS. THEY THEN LEND OUT MUCH OF THE MONEY AT INTEREST RATES HIGHER THAN THE RATES THAT THEY PAY THE DEPOSITORS. THAT'S HOW BANKS EARN A PROFIT — SOMETHING THAT'S NECESSARY TO KEEP ANY ENTERPRISE IN BUSINESS.

A BANK IS WILLING TO PAY HIGHER RATES OF INTEREST ON LONGER-TERM DEPOSITS BECAUSE THE ASSURANCE OF HAVING THE MONEY FOR A LONG TIME ALLOWS THE BANK TO EXTEND LONGER-TERM LOANS.

IF BANKS LEND THE MONEY THEY RECEIVE AS DEPOSITS, HOW CAN YOU BE SURE YOU'LL BE ABLE TO WITHDRAW YOUR MONEY WHEN YOU WANT IT?

THE ANSWER IS THAT BANKS DON'T LEND ALL THE MONEY THEY RECEIVE AS DEPOSITS. THEY ALWAYS KEEP ENOUGH ON HAND TO MEET THE NEEDS OF THEIR CUSTOMERS.

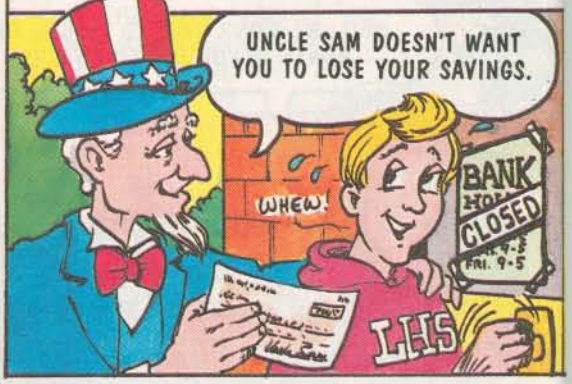
ALSO, BANK ACCOUNTS ON WHICH YOU CAN WRITE CHECKS AND IN WHICH YOU CAN ALSO KEEP SOME SAVINGS ARE SUBJECT TO "RESERVE REQUIREMENTS." THE FEDERAL RESERVE, THE NATION'S CENTRAL BANK, REQUIRES THAT BANKS REFRAIN FROM LENDING A PERCENTAGE OF THE DEPOSITS IN THOSE ACCOUNTS.



BUT WHAT IF THE BANK LENDS MONEY TO PEOPLE WHO CAN'T REPAY THE LOANS? WILL DEPOSITORS STILL BE ABLE TO GET THEIR MONEY BACK?

AGAIN, THERE'S NOTHING TO WORRY ABOUT. EVEN IF A BANK MAKES UNWISE LOANS AND CAN'T COLLECT THEM, THE BANK HAS ITS OWN MONEY, ITS CAPITAL, THAT IT CAN USE IF SOMEONE WANTS TO MAKE A WITHDRAWAL. INDEED, THE GOVERNMENT WON'T ALLOW A BANK TO OPEN UNLESS IT HAS A LOT OF CAPITAL.

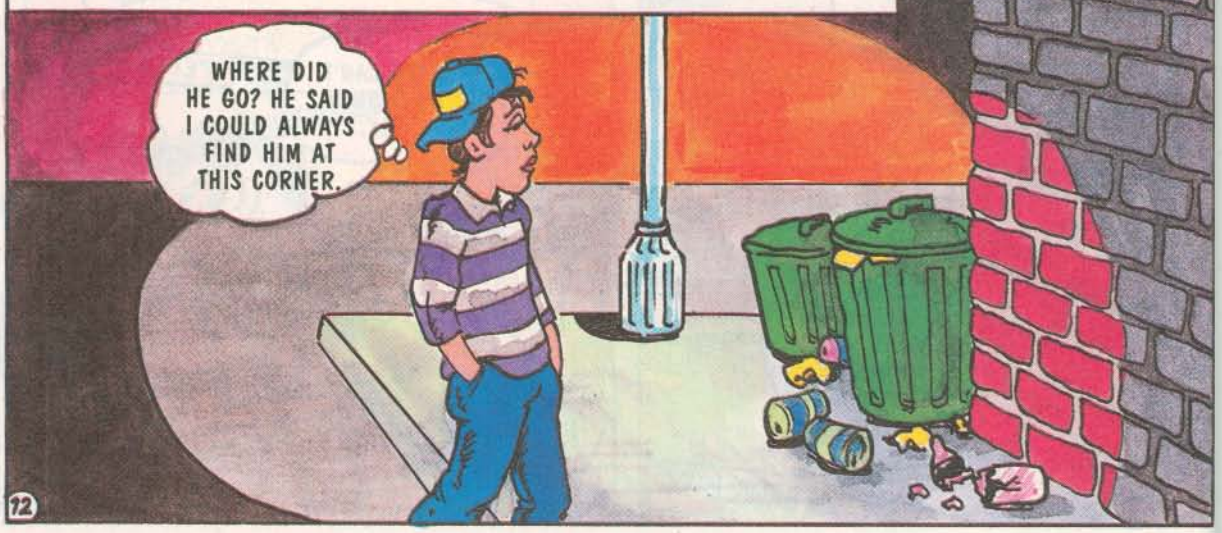
ALSO, AS A LAST LINE OF DEFENSE, PEOPLE'S DEPOSITS OF UP TO $100,000 IN EACH BANK ARE INSURED BY A GOVERNMENT AGENCY, SO ALL DEPOSITORS WILL GET THEIR MONEY BACK, UP TO THAT AMOUNT.



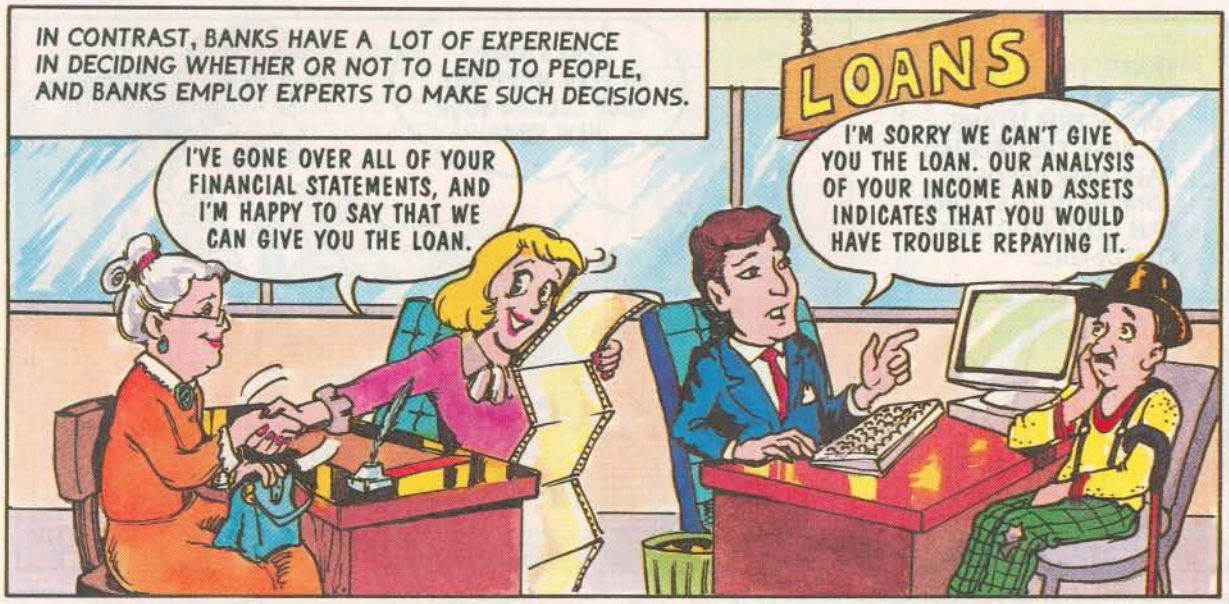
HERE'S A QUESTION TO PONDER: IF A BANK TAKES YOUR SAVINGS AND LENDS THEM TO A BORROWER WHO PAYS A HIGHER INTEREST RATE THAN THE BANK PAYS YOU, WHY CAN'T YOU LEND THE MONEY DIRECTLY TO THE BORROWER AND RECEIVE THE HIGHER RATE YOURSELF?

TO ANSWER THE QUESTION, SUPPOSE SOMEONE APPROACHED YOU AND ASKED TO BORROW YOUR SAVINGS. HOW WOULD YOU KNOW WHETHER THE PERSON IS A GOOD CREDIT RISK — THAT IS, HOW WOULD YOU KNOW WHETHER YOU COULD COUNT ON THE PERSON TO REPAY THE LOAN?

YOU MIGHT EASILY MAKE A MISTAKE AND LEND MONEY TO SOMEONE WHO IS NOT CREDITWORTHY, AND LOSE YOUR MONEY.



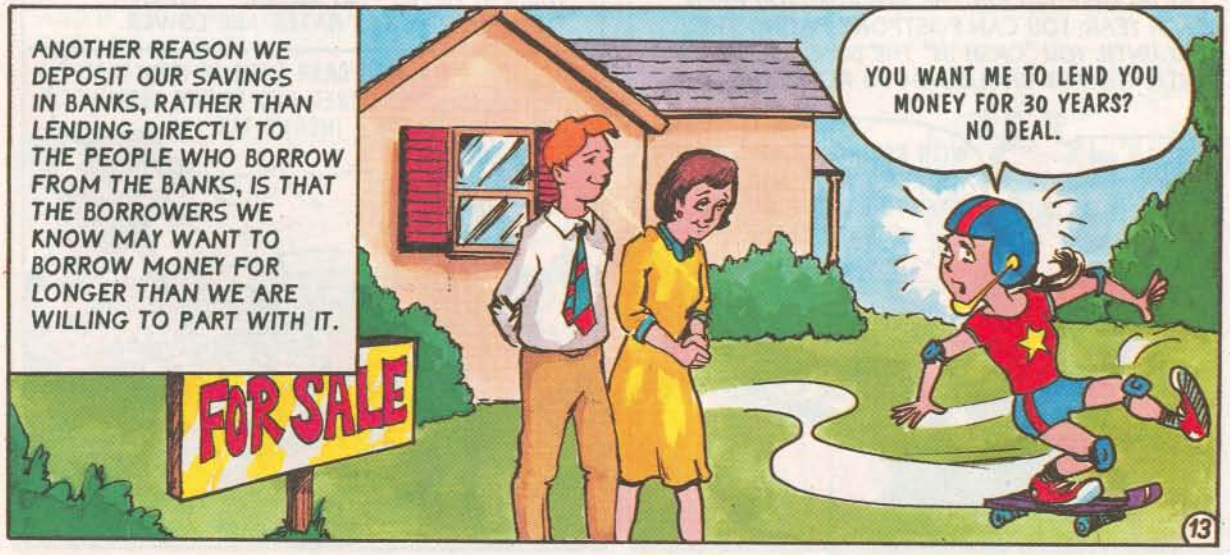
IN CONTRAST, BANKS HAVE A LOT OF EXPERIENCE IN DECIDING WHETHER OR NOT TO LEND TO PEOPLE, AND BANKS EMPLOY EXPERTS TO MAKE SUCH DECISIONS.



THERE ARE OTHER REASONS WE PUT OUR SAVINGS IN BANKS, RATHER THAN LENDING THEM DIRECTLY TO BORROWERS. ONE IS THAT BORROWERS OFTEN BORROW AMOUNTS OF MONEY THAT ARE MUCH LARGER THAN THE SAVINGS OF A SINGLE PERSON. A BANK TAKES THE SAVINGS OF MANY DIFFERENT PEOPLE AND COMBINES THEM INTO A SINGLE LOAN.

ALSO, YOU MIGHT NOT BE ABLE TO FIND SOMEONE INTERESTED IN BORROWING THE PRECISE AMOUNT OF MONEY THAT YOU HAVE SAVED. A BANK, THOUGH, IS ALWAYS WILLING TO ACCEPT THE AMOUNT THAT YOU HAVE SAVED AND PAY YOU INTEREST ON THAT AMOUNT.

ANOTHER REASON WE DEPOSIT OUR SAVINGS IN BANKS, RATHER THAN LENDING DIRECTLY TO THE PEOPLE WHO BORROW FROM THE BANKS, IS THAT THE BORROWERS WE KNOW MAY WANT TO BORROW MONEY FOR LONGER THAN WE ARE WILLING TO PART WITH IT.



BANKS, THOUGH, ARE ABLE TO OFFER LONG-TERM LOANS, BECAUSE THEY ALWAYS HAVE NEW DEPOSITS COMING IN THAT THEY CAN LEND TO OTHER CUSTOMERS.

HERE'S YOUR 30-YEAR MORTGAGE. GOOD LUCK IN YOUR NEW HOME.

IF YOU WANT TO SAVE AND EARN INTEREST ON YOUR SAVINGS, YOU DON'T HAVE TO PUT YOUR MONEY IN A BANK. THERE ARE OTHER WAYS TO SAVE. ONE IS TO BUY U.S. SAVINGS BONDS.

WHEN YOU BUY SAVINGS BONDS, YOU ARE LENDING MONEY TO THE U.S. GOVERNMENT.

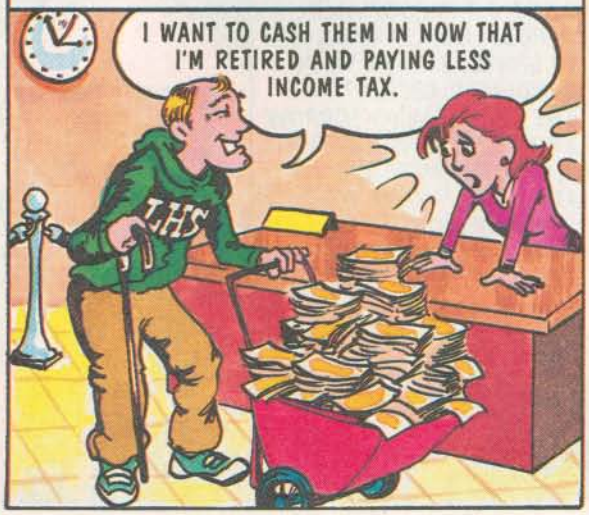
THANKS FOR THE LOAN.

U.S. SAVINGS BONDS HAVE A NUMBER OF ADVANTAGES. ONE IS THAT YOU DON'T HAVE TO PAY INCOME TAX ON THE INTEREST YOU EARN EACH YEAR; YOU CAN POSTPONE PAYING THE TAX UNTIL YOU "CASH IN" THE BOND — THAT IS, UNTIL YOU ASK UNCLE SAM TO REPAY THE LOAN.

WITH SAVINGS BONDS, I EARN INTEREST NOW, AND I DON'T HAVE TO PAY THE INCOME TAX UNTIL LATER.

MANY PEOPLE BUY SAVINGS BONDS DURING THEIR WORKING YEARS AND THEN CASH THEM IN AFTER THEY RETIRE — WHEN THEIR INCOME TAX RATES ARE LOWER.

I WANT TO CASH THEM IN NOW THAT I'M RETIRED AND PAYING LESS INCOME TAX.



MILLIONS OF PEOPLE BUY SAVINGS BONDS THROUGH A PAYROLL SAVINGS PLAN -- THEY HAVE MONEY DEDUCTED FROM THEIR EARNINGS EACH PAY PERIOD AND APPLIED TO THE PURCHASE OF SAVINGS BONDS.

THIS IS A CONVENIENT WAY TO SAVE FOR THE CHILDREN'S EDUCATION.

THERE ARE MANY OTHER WAYS TO SAVE. SOME PEOPLE LIKE TO PUT THEIR SAVINGS INTO THE STOCK MARKET -- THAT IS, THEY BUY STOCKS, OR SHARES IN CORPORATIONS.

STOCK PRICES

WHEN YOU BUY STOCKS, YOU CAN EARN A RETURN IN TWO WAYS. FIRST, YOU MAY RECEIVE DIVIDENDS -- THAT IS, A SHARE OF THE COMPANY'S PROFITS.

ATLANTIC LOCKER CORP.

AMOUNT OF DIVIDEND

★★★★103.88

PAY TO THE ORDER OF

DAVY JONES
20,000 LEAGUES LANE
SEABOTTOM, N.J. 08700

ALSO, IF THE COMPANY DOES WELL, THE VALUE OF YOUR STOCKS MAY GO UP, AND IF YOU WANT, YOU CAN THEN SELL THE STOCKS FOR MORE THAN YOU PAID FOR THEM.

WALL AVENUE JOURNAL

STOCK MARKET UP SHARPLY

STOCKS HAVE THE POTENTIAL TO GIVE YOU A MUCH HIGHER RETURN THAN A BANK ACCOUNT DOES.

WALL AVENUE JOURNAL

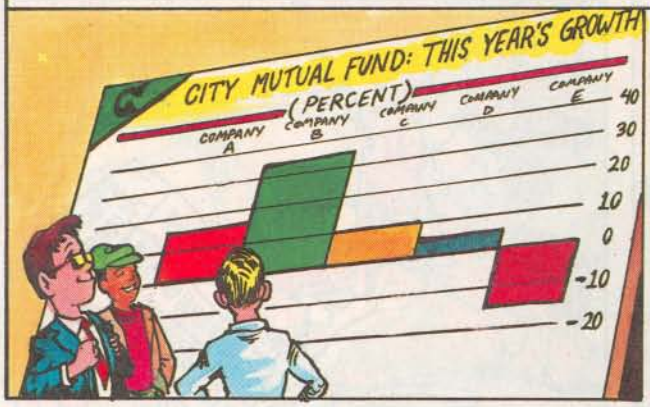
STOCK MARKET UP 20% THIS YEAR!

BUT THERE IS ALSO A RISK WHEN YOU BUY STOCKS. THEIR VALUE CAN DROP.

WALL AVENUE JOURNAL

CRASH!

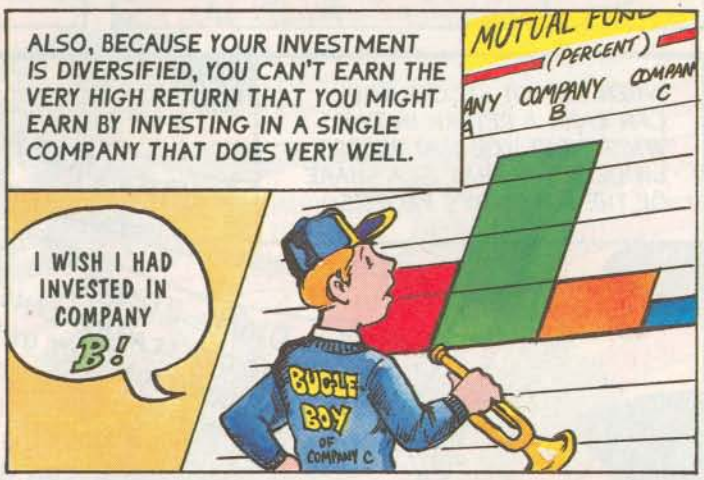
YOU CAN REDUCE THE RISK OF BUYING STOCKS BY INVESTING IN MUTUAL FUNDS, WHICH BUY SHARES IN MANY DIFFERENT COMPANIES. THEN, EVEN IF SOME COMPANIES DO BADLY, YOUR LOSS WILL BE LIMITED, BECAUSE OTHER COMPANIES WILL DO BETTER.



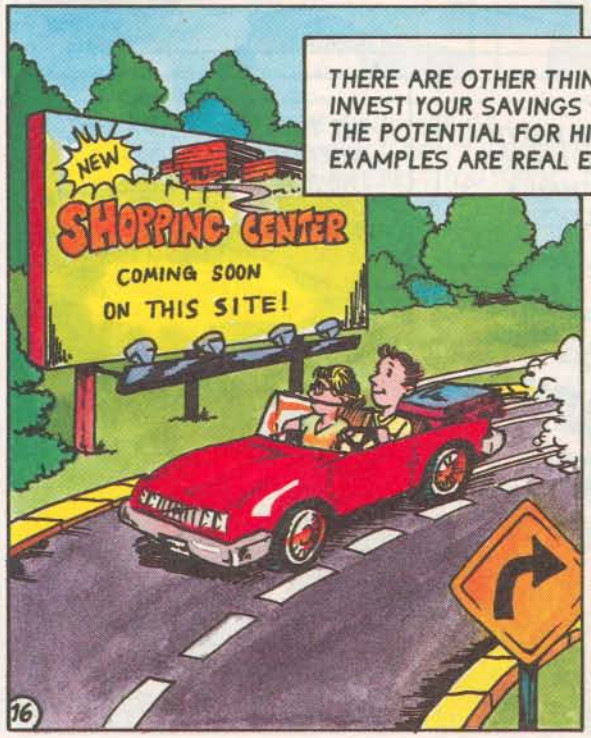
THE PROFESSIONALS WHO MANAGE A MUTUAL FUND DECIDE WHAT COMPANIES TO BUY SHARES IN.

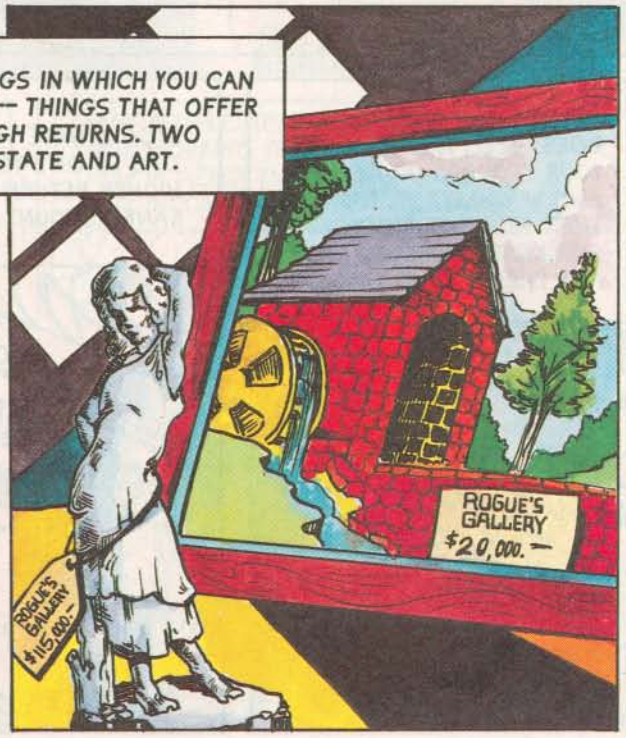
A DISADVANTAGE IS THAT SOME MUTUAL FUNDS CHARGE AN ANNUAL FEE FOR MANAGING YOUR SAVINGS.

ALSO, BECAUSE YOUR INVESTMENT IS DIVERSIFIED, YOU CAN'T EARN THE VERY HIGH RETURN THAT YOU MIGHT EARN BY INVESTING IN A SINGLE COMPANY THAT DOES VERY WELL.



THERE ARE OTHER THINGS IN WHICH YOU CAN INVEST YOUR SAVINGS — THINGS THAT OFFER THE POTENTIAL FOR HIGH RETURNS. TWO EXAMPLES ARE REAL ESTATE AND ART.





HOWEVER, THE PRICES OF SUCH ITEMS ALSO CAN FALL, REDUCING THE VALUE OF YOUR SAVINGS.

OFFICE SPACE AVAILABLE
CALL BIG REALTY CO.

INVESTOR

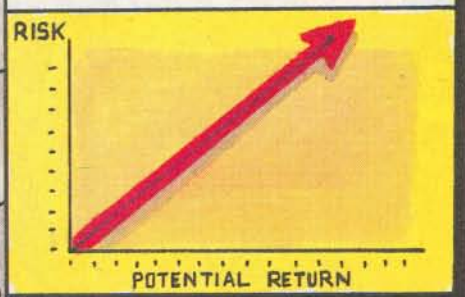
INVESTOR

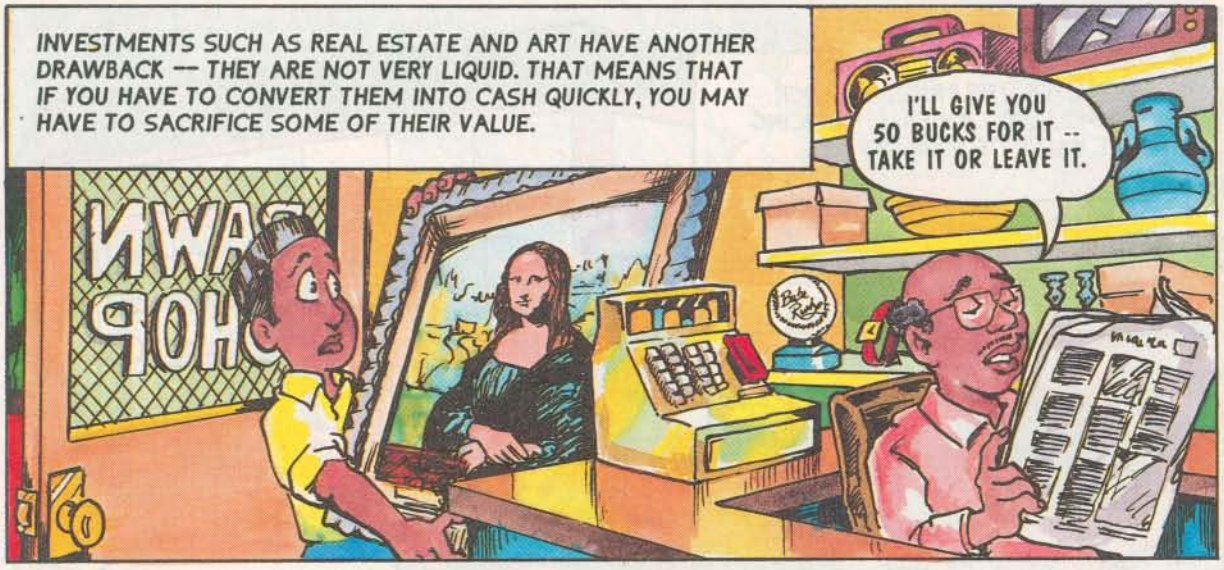
BROKER

THERE'S AN OVER-SUPPLY OF OFFICE SPACE, AND BUILDERS AREN'T INTERESTED IN DOING ANY NEW CONSTRUCTION. SO, LAND VALUES ARE WAY DOWN.

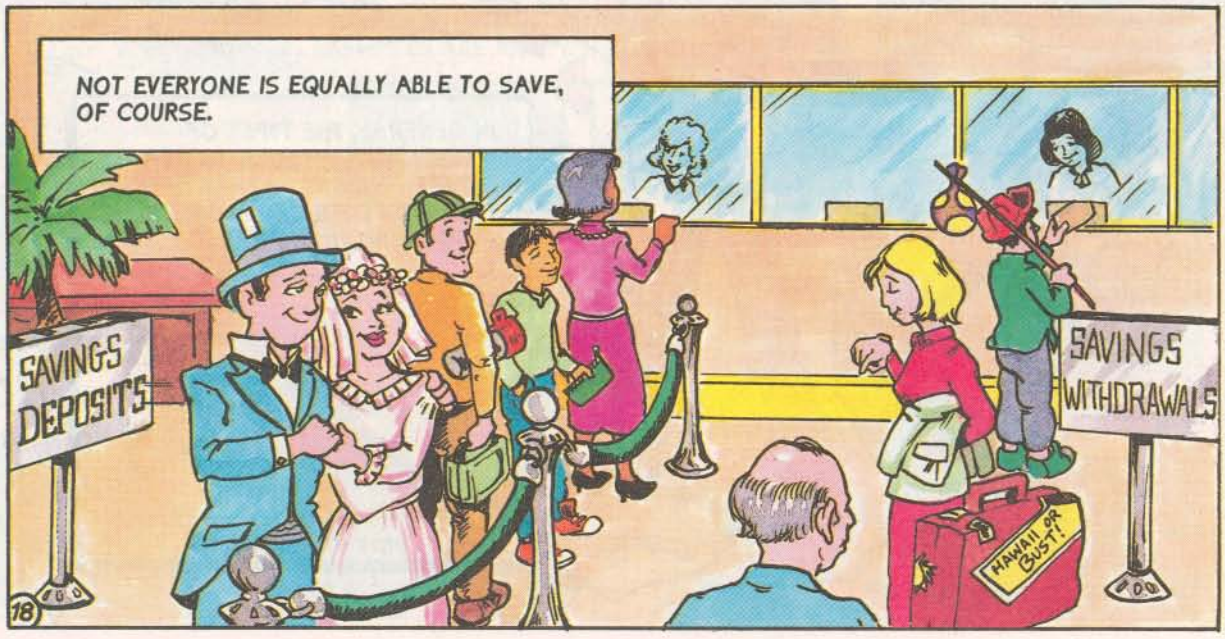
RECESSION BRINGS ART PRICES DOWN!

IN GENERAL, THE TYPES OF INVESTMENTS — SUCH AS REAL ESTATE AND ART — THAT OFFER THE PROSPECTS OF HIGH RETURNS ALSO CARRY HIGH RISKS.




INVESTMENTS SUCH AS REAL ESTATE AND ART HAVE ANOTHER DRAWBACK — THEY ARE NOT VERY LIQUID. THAT MEANS THAT IF YOU HAVE TO CONVERT THEM INTO CASH QUICKLY, YOU MAY HAVE TO SACRIFICE SOME OF THEIR VALUE.
I'LL GIVE YOU 50 BUCKS FOR IT -- TAKE IT OR LEAVE IT.

IN DECIDING HOW TO INVEST OUR SAVINGS, WE ARE ALL FREE TO CHOOSE THE COMBINATION OF SAFETY, LIQUIDITY, AND POTENTIAL RETURN THAT WE PREFER.
I HOPE TO STRIKE IT RICH; I'M INVESTING IN OIL FIELDS.
I PREFER THE SAFETY OF KEEPING MY MONEY IN THE BANK.
FOR ME, LIQUIDITY IS MOST IMPORTANT; I KEEP MY SAVINGS IN MY POCKET.


NOT EVERYONE IS EQUALLY ABLE TO SAVE, OF COURSE.
SAVINGS DEPOSITS
SAVINGS WITHDRAWALS
HAWAII OR BUST!

IN GENERAL, PEOPLE WHO ARE IN THEIR PEAK EARNING YEARS ARE MOST ABLE TO SAVE.

I'M A RELIEF PITCHER, AND BECAUSE OF ALL MY SAVES, I GET A HIGH SALARY, SO I'M ABLE TO SAVE A LOT.

STEEERIKE THREE!

I'M A GOALIE, AND BECAUSE OF ALL MY SAVES, I GET A HIGH SALARY, SO I'M ABLE TO SAVE A LOT.

ON THE OTHER HAND, PEOPLE WHO ARE JUST STARTING THEIR CAREERS OFTEN DISSAVE — THAT IS, THEY SPEND MORE THAN THEY EARN, BECAUSE THEY EXPECT TO EARN MUCH MORE IN THE FUTURE.

I CAN'T PAY THIS CAR OFF NOW, BUT I WILL BE ABLE TO AFTER I FINISH MEDICAL SCHOOL.

CARS

SALES

SIMILARLY, RETIREES, WHOSE INCOMES ARE LOWER THAN THE INCOMES THEY ENJOYED WHILE WORKING, ALSO FREQUENTLY DISSAVE.

I'M GLAD I SAVED WHILE I WAS WORKING FOR SOME OF THE THINGS I WANT TO BUY NOW.

TELLER

SAVINGS WITHDRAWAL

SO FAR, WE'VE DISCUSSED SAVING FROM THE STANDPOINT OF THE INDIVIDUAL SAVER.

SAVING ALSO IS IMPORTANT, THOUGH, TO THE NATIONAL ECONOMY.

IF AMERICANS DON'T SAVE, BUSINESSES WILL NOT BE ABLE TO INVEST IN THE MACHINERY, BUILDINGS, AND OTHER THINGS THAT ARE ESSENTIAL FOR ECONOMIC GROWTH.

THAT'S BECAUSE WHEN A BUSINESS WANTS TO BUILD A NEW BUILDING OR BUY NEW MACHINERY, IT USUALLY HAS TO BORROW MONEY.

MY COMPANY IS EXPANDING, AND WE NEED A CONSTRUCTION LOAN.

APPLICATION

LOANS

AND IN ORDER FOR MONEY TO BE AVAILABLE FOR BUSINESSES TO BORROW, SOMEONE MUST SAVE THE MONEY FIRST.

SAVINGS DEPOSITS

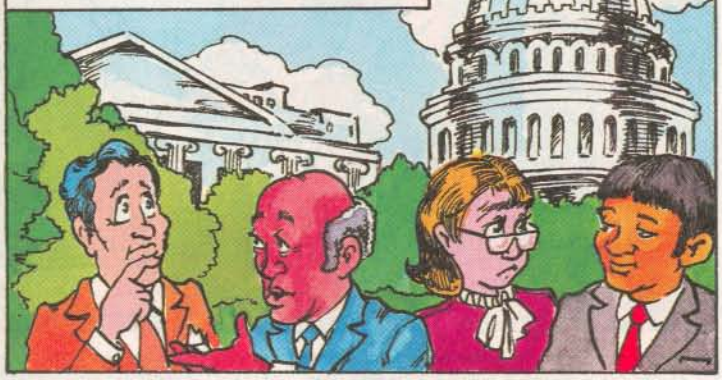
VAULT

YES, WE HAVE THE FUNDS TO LEND YOU.

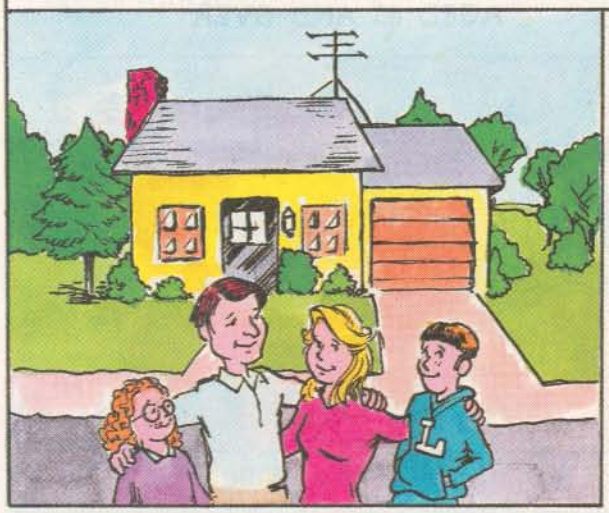
APPLICATION

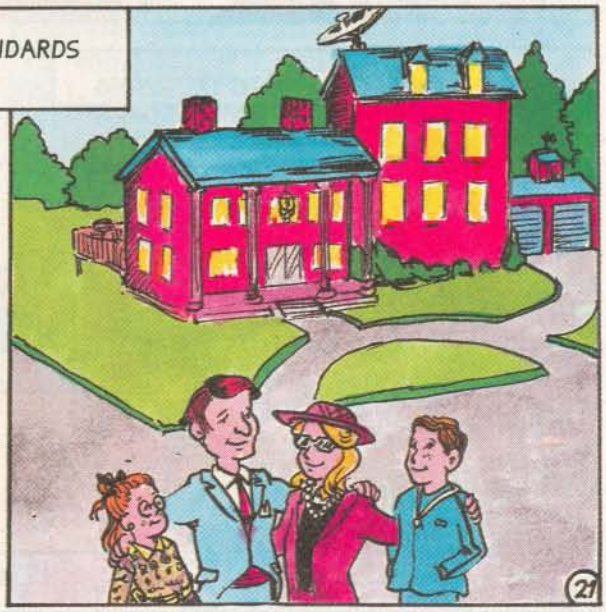
THE U.S. SAVINGS RATE -- THE PERCENT OF INCOME THAT AMERICANS SAVE -- DECLINED DURING THE 1980S AND 1990S.

THE DECLINE HAS LONG BEEN A MATTER OF CONCERN. A 1993 CONGRESSIONAL REPORT SAYS, "THE NATIONAL SAVING RATE IS TOO LOW TO PROVIDE MORE THAN NEGLIGIBLE GROWTH IN LIVING STANDARDS FOR THE NEXT GENERATION OF AMERICANS."



THE LOW SAVING RATE IMPLIES THAT LIVING STANDARDS WON'T RISE AS MUCH AS THEY COULD.





THE U.S. NEEDS A HIGHER RATE OF SAVING TO ENJOY THE FULL BENEFITS OF HIGHER LIVING STANDARDS.

NY LAW JOURNAL

WHY HAS THERE BEEN A DECLINE IN THE PERCENTAGE OF INCOME THAT AMERICANS SAVE?

DON'T BLAME ME; I'M DOING MY SHARE.

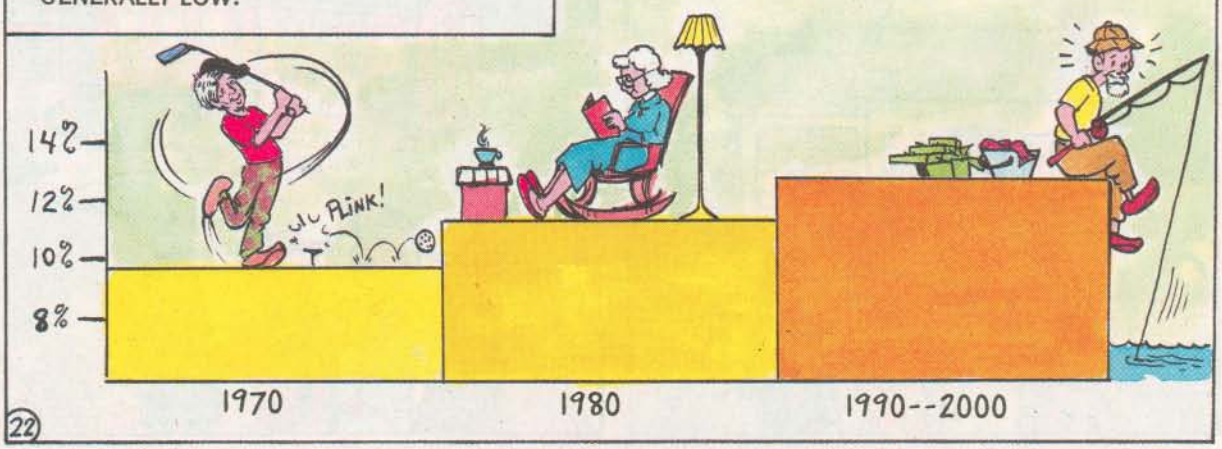
ECONOMISTS OFFER SEVERAL EXPLANATIONS. ONE IS THAT AMERICANS' WEALTH GENERALLY HAS INCREASED, AND WHEN PEOPLE HAVE MORE WEALTH, THEY FEEL LESS OF A NEED TO SAVE OUT OF CURRENT INCOME.

STOCK MARKET GROWTH

IF I EVER RUN INTO AN EMERGENCY, I CAN SELL SOME OF MY STOCKS TO RAISE CASH, SO WHY SHOULD I DO ANY MORE SAVING?

ANOTHER THEORY POINTS TO THE RISING PROPORTION OF THE U.S. POPULATION IN THE AGE BRACKETS IN WHICH SAVING IS GENERALLY LOW.

PERCENTAGE OF U.S. POPULATION AGED 65 AND OVER



ANOTHER THEORY IS THAT THE SOCIAL SECURITY SYSTEM, WHICH PROVIDES INCOME TO RETIRED PEOPLE, HAS LED WORKERS TO FEEL LESS OF A NEED TO PUT ASIDE SAVINGS FOR RETIREMENT.

THE SOCIAL SECURITY I'LL GET WHEN I RETIRE WILL PROTECT ME IN MY OLD AGE. SO, I DON'T HAVE TO BUILD UP THAT MUCH OF A NEST EGG NOW.

OFFICE

ACE CONSTRUCTION CO

J. SMITH

WHILE THE SAVING RATE HAS DECLINED IN RECENT YEARS, IT IS POSSIBLE THAT THE RATE WILL RISE IN THE FUTURE.

U.S. SAVING RATE

RECENT PAST

FUTURE

NOW THAT YOU'VE FINISHED READING THE COMIC BOOK ON SAVING, WHAT SHOULD YOU DO WITH IT?

WHY, SAVE IT, OF COURSE.

101 GREEK CLASSICS

A TALE OF TWO CITIES

SAVE LIKE THE DICKENS

Federal Reserve Bank of New York
Public Information Department
33 Liberty Street
New York, NY 10045
(212) 720-6134
www.newyorkfed.org

To order publications online, go to:

http://www.newyorkfed.org/publications

Information about the Federal Reserve Bank of New York's education programs can be found at:

http://www.newyorkfed.org/education

Seventh Printing
2006